



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capital Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

FOR IMMEDIATE RELEASE

**For further information, contact
Arun Raha
(360) 570-6105**

OLYMPIA, March 19, 2009 -- Since our last official revenue forecast in November, the state economy has weakened considerably. The weakness in housing activity and auto sales has spread to other sectors of the state economy – non-residential construction, manufacturing, aerospace, software publishing and retail sales. Our new baseline forecast assumes that the U.S. and Washington economies will be in recession for most of this year, flattening out sometime late in the third quarter. Growth will remain flat in the first half of 2010, and improve only in the second half of the year. Job losses will continue even after the economy is in recovery.

The March 2009 forecast for the 2007-09 biennium is \$27.9 billion, which is \$0.7 billion lower than expected in the November forecast. Of the \$0.7 billion reduction, \$0.2 billion is due to collection experience since the November forecast and \$0.5 billion is due to a weaker forecast for the remainder of the biennium. The forecast for the 2009-11 biennium is \$27.9 billion, which is \$2.1 billion less than expected in the November forecast. Compared to the unofficial “early guidance” forecast presented in February, the forecast for the current biennium is down \$15 million and the forecast for the next biennium is down \$538 million.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 and 2009-11 biennia. The forecast based on more optimistic economic assumptions netted \$74 million (0.3 percent) more revenue in the 2007-09 biennium and \$1,519 million (5.4 percent) more revenue in the 2009-11 biennium than did the baseline. The pessimistic alternative was \$92 million (0.3 percent) lower in 2007-09 and \$1,926 million (6.9 percent) lower in 2009-11. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$13 million (0.0 percent) less revenue in the 2007-09 biennium and \$253 million (0.9 percent) less revenue in the 2009-11 biennium than did the baseline forecast.

###